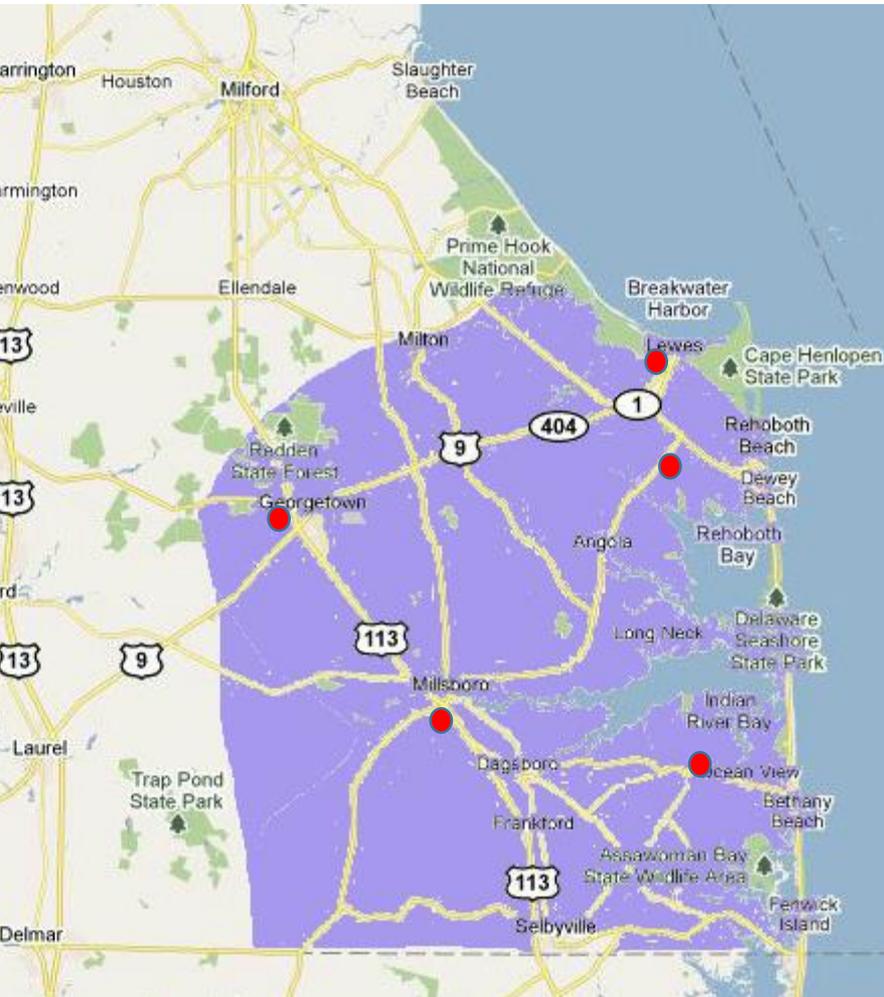


Specialty Surgical Hospital

Need of the Population



- 12.7% growth in Sussex County since 2010
- 15.8% growth in eastern Sussex County since 2010
- 8% projected growth in next 7 years
- 25.2% projected growth by 2023 of 65+ population
- 65+ population will make up 30% of Beebe's Primary Service Area
- Growth is west of Route 1, and south of Indian River Inlet

Need of the Population

- Inpatient census 14.5% higher than in 2014
 - In 2017 average census peaked at 22.3% higher than in 2014
- We've lowered Average Length of Stay for acute care patients from 4.46 to 4.26 in 2017, resulting in average of 5.8 fewer people per day in the hospital.
- Lowered 30-day readmissions, resulting in average of 1.4 fewer people per day in the hospital.
- Population growth still demands investment in inpatient care.
 - Beebe still serving patients in hospital rooms built more than 50 years ago.

Need of the Population

- Accelerated shift of surgical cases short-stay and outpatient
 - 83% of hysterectomies now done as outpatient cases
 - 88% of total knee replacements discharged within 2 days
- Consumer expectations are changing and demanding convenience and superior service
 - Beebe ambulatory surgery patients rate satisfaction 210% higher than similar patients scheduled at Medical Center
- Insurers are pursuing bundled payments, requiring providers to offer efficient systems with excellent outcomes

Specialty Surgical Hospital

- Focusing on short-stay scheduled surgical procedures
- All private rooms
- Most cost effective way for Beebe to add private inpatient rooms, OR capacity
- Campus more conveniently located



\$152 million

- Located on 20 acres at Rehoboth Health Campus on Route 24, Rehoboth
- Does not increase # of licensed beds

Project Summary (cont'd)

- 4 ORs & 12 short-stay private rooms
 - Room for later expansion to 6 ORs and 24 private rooms
- 7 preoperative bays and 15 recovery bays
- Diagnostic imaging, lab, pharmacy and nutritional services to support schedule surgical cases
- Vacant floor for later move of Labor and Delivery
- Adjacent to Bookhammer Outpatient Center, Tunnell Cancer Center, and Medical Offices
- Land available for future expansion of inpatient care, unlike on Medical Center campus in downtown Lewes

Project Goals

- Increase # of private rooms for inpatients
- Meet demand from growing population for convenient access
- Provide innovative surgical care purposely designed for efficient operations around the short-stay scheduled patient
- Group like-patients to enable better implementation of standardized protocols and procedures to improve outcomes and patient experience

Conformity to HRMP

- Beebe is an independent, not-for-profit community health system guided by charitable mission to encourage healthy living, prevent illness, and restore optimal health
- Accredited by Joint Commission
- Medicare and Medicaid provider
 - 75% of total patient care expenditures for Medicare and Medicaid beneficiaries
- Charity Care Policy for income up to 400% of Federal Poverty Level
 - 4.1% of total patient care expenditures
- Participant with DHIN; user of EMRs

Conformity to HRMP

- Programs focused on improving care outcomes and lowering unnecessary utilization and cost
 - Innovator in Care Coordination (since 2013)
 - First DE health system to participate in Medicare Shared Savings Program ACO (since 2014)
 - Participate in CMS Bundled Payment for Care Improvement (BPCI) (since 2015)
 - Advanced Care Clinic offers post-discharge coordination and follow up for those without PCP
 - Beebe C.A.R.E.s program offers comprehensive support for high utilizers of ED and Inpatient care

Financial Viability

- Beebe maintains positive operating margins (2.7% in fiscal 2018, 4.9% in 2017 and 4.2% in 2016)
- Tax exempt bond offering will be used to finance construction and equipment costs.
- Analysis by Ponder & Co. affirms ability to secure bond financing without jeopardizing BBB bond rating.
- Specialty Surgical Hospital projected to generate surplus operating income, thus will be financially viable and will contribute to cost of debt financing.

Financial Viability

Proposed Specialty Surgical Hospital—New vs. Transferred Cases

	First Year of Operation		
	Surgical Hospital NEW Cases	Surgical Hospital Transfer Cases	Total Surgical Hospital
Net Operating Revenues	\$3,070,234	\$40,180,766	\$43,251,000
Operating Expenses (Sch. 4)	\$12,125,777	\$24,843,323	\$36,969,100
Other Operating Expenses	\$3,031,862	\$0	\$3,031,862
Gain (Loss) From Operations	(\$12,087,405)	\$15,337,443	\$3,250,038

A strong surgical program provides appropriate care to the community, and also helps to underwrite the costs of unreimbursed care, and the care of complex medical patients, the reimbursement for which, especially from Medicare (which is the largest payer at Beebe) does not cover direct and indirect costs.

Less Costly Alternatives

- Project goals are to:
 - Increase # of private rooms for inpatients
 - Meet demand for convenient access for growing population
 - Provide innovative surgical care purposely designed for efficient operations around the short-stay scheduled patient
 - Group like-patients to enable better implementation of standardized protocols and procedures to improve outcomes and patient experience
- No feasible alternatives that are less costly
 - Lewes campus is landlocked, expensive to build on site
 - Lewes campus construction disruptive to patients and residents
 - Lewes campus has limited potential for future growth—need to plan for long term—moving services off that campus when possible

Relationship to Existing Healthcare

- Owned and operated by Beebe Healthcare
- Led by same team of physicians, nurses and staff as Medical Center in downtown Lewes
- In-referral network in place with employed and private practice within Sussex County
- 415 person Medical Staff, including 47 telemedicine providers
- Transfer relationships with 52 organizations

Impact on Cost

- No anticipated impact on charges for services due to building Specialty Surgical Hospital
- Operating facility will increase internal cost to operate slightly—ratio of cost to revenue increases 1.5 %
- Debt financing and depreciation contribute more to cost of operations during life of loan, and this impact diminishes over time
- Efficiency enhanced with focus on elective surgical patients
- New construction will be more efficient on energy consumption than the older infrastructure at the Medical Center in Lewes.

Impact on Quality

- Standardized OR and patient room design will enable consistent work flow for physicians and nurses, reducing variation in physical layout that can undermine consistent application of protocols and workflow.
- Adequate patient room size will support bedside care while also including family and caregivers who are important for patient engagement and healing.

Impact on Quality

- The all-private-room model will protect patient privacy, improve patient satisfaction with their experience, and reduce risk of infection inherent in dual occupancy rooms.
- The focus on scheduled surgical patients will enable teams to hone standardized protocols for these patients, lowering infection risks, improving recovery times, reducing length of stay, expediting discharge processes, and enhancing patient experience.



The next generation of care may not be centered around hospitals, but certain care will still be safest when provided in a hospital. Our community is growing and Beebe Healthcare is positioning itself to serve the community for many years into the future.

Questions?

Thank You